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SUBJECT: LEBANON: FRANCE LOOSENS CONDITIONALITY ON SECOND TRANCHE
OF BUDGET SUPPORT (ECONOMIC WEEK IN REVIEW, NOVEMBER 17 - 23, 2008)

CONTENTS

-- FRANCE LOOSENS CONDITIONALITY ON SECOND TRANCHE OF BUDGETARY
SUPPORT LOAN
-- EPCA II: IMF APPROVES \$37.6 MILLION LOAN FOR LEBANON
-- FINANCE MINISTER SAYS TELECOM PRIVATIZATION NOT DELAYED; TRA
WORRIED ABOUT FATE OF PRIVATIZATION
-- STATE PROSECUTOR: NOT ENOUGH IPR CASES TO JUSTIFY SPECIALIZED
COURTS
-- NEW DECREE IMPROVES PHARMACEUTICAL REGISTRATION
-- CONSUMER PROTECTION DIRECTORATE HIRES 100 NEW CONTROLLERS
-- TEACHERS HOLD SIT-IN DEMANDING HIGHER PAY
-- LEBANON FALLS IN EASE OF PAYING TAXES INDEX

FRANCE LOOSENS CONDITIONALITY ON
SECOND TRANCHE OF BUDGETARY SUPPORT LOAN

¶11. (SBU) On November 20, during French PM Frangois Fillon's visit to Beirut, France and Lebanon signed an amendment to the Paris III conditions for disbursement of French budgetary support. Lebanon has already received a 150 million euro loan for budgetary support under Paris III. The amendment stipulates that France will now disburse a second tranche of 125 million euros, previously conditioned on the complete privatization of mobile telecom companies, upon the issuance of tender documents for the privatization.

EPCA II: IMF APPROVES
\$37.6 MILLION LOAN FOR LEBANON

¶12. (U) On November 19, the IMF Board approved a \$37.6 million loan to the GOL under a new Emergency Post Conflict Assistance (EPCA II) program to encourage the implementation of Lebanon's reform program. Lebanon received a \$76.7 million loan under its first EPCA in 2007.

FINANCE MINISTER SAYS TELECOM PRIVATIZATION
NOT DELAYED; TRA WORRIED ABOUT FATE OF PRIVATIZATION

¶13. (U) Local press reported November 18 on Finance Minister Mohammad Chatah's repudiation of reports that Prime Minister Siniora had told cabinet ministers that telecom privatization would not occur for two

years. Although the cabinet decided the GOL should sign a one-year management contract, renewable for a second year, for Lebanon's cellular companies, Chatah said the contract will be revocable if privatization goes through. He stressed that the timing of privatization will depend primarily on the global economy and market conditions.

¶4. (SBU) However, Telecom Regulatory Authority (TRA) Commissioner Dr. Imad Hoballah told us November 17 the cabinet's decision to award the one-year renewable management contract was a "big blow to mobile privatization," akin to putting privatization "on the shelf."

TRA will ask Telecom Minister Gebran Bassil for clarification of the terms of the management contract. Hoballah also hopes PM Siniora himself will explain the press reports about cabinet statements regarding privatization.

STATE PROSECUTOR: NOT ENOUGH IPR CASES
CASES TO JUSTIFY SPECIALIZED COURTS

¶5. (SBU) On November 17, Econoffs met with the State Prosecutor of the Cassation Court, Said Mirza, to discuss ways to better enforce intellectual property in Lebanon. Mirza thanked the USG for sending a large number of judges and prosecutors to U.S. Patent and Trademark Office IPR trainings. He said that the small number of IPR cases in Lebanon does not justify having judges dedicated solely to IPR cases, nor having specialized IPR courts, although he said some judges should be specialized in IPR. Mirza also said that in order to increase IPR awareness among judges, instruction on IPR at the Justice Institute could be widened and made mandatory throughout the three-year training each judge and prosecutor must complete.

BEIRUT 00001686 002 OF 002

NEW DECREE TO IMPROVE
PHARMACEUTICAL REGISTRATION PROCESS

¶6. (SBU) On November 17, Econoffs met the Director General of the Ministry of Public Health (MOPH), Dr. Walid Ammar, for an overview of existing medical services provided by the MOPH, as well as to discuss allegations of registration of copycat drugs by the ministry. Ammar admitted Minister Mohammad Khalifeh (an ally of Parliament Speaker Berri) sometimes moved certain registration applications to the front of the line based on political connections or the political affiliation of the importer. Nonetheless, Ammar said the process of drug registration will be improved with newly signed Decree No. 571, which contains requirements on the treatment of undisclosed information in a registration application. Though the decree leaves some room for interpretation of what is or is not undisclosed data, it theoretically would stop drugs with incomplete data, i.e., copycat drugs relying on publicly available data to file their applications.

¶7. (SBU) Ammar complained that pharmaceutical companies force Lebanon to purchase drugs from more expensive manufacturers in the EU rather than from the U.S. or other less expensive producing countries, based on a system of zoning. This has forced the MOPH to allow parallel imports to lower costs, Ammar said.

CONSUMER PROTECTION DIRECTORATE
HIRES 100 NEW CONTROLLERS

¶8. (U) On November 14, Byblos Bank Weekly Review reported the cabinet's approval of the expansion of the Consumer Protection Directorate (CPD) at the Ministry of Economy and Trade (MOET) by hiring 100 new controllers, joining the 40 already in the unit. CPD controllers are also sometimes used by the IPR Unit at the MOET to investigate IPR violations.

TEACHERS HOLD SIT-IN
DEMANDING HIGHER PAY

¶9. (U) Teachers at private and public schools and the Lebanese

University held a one-day strike on November 18 demanding increased wages, transportation allowances, a revision of the salary scale, and better reimbursement for medical services. Approximately 100,000 teachers attended the sit-in in front of Parliament, while representatives of the teachers syndicate met with Minister of Education Bahia Hariri to present their demands.

LEBANON FALLS IN EASE
OF PAYING TAXES INDEX

¶10. (U) According to the PricewaterhouseCoopers/World Bank 2009 Index of Paying Taxes, Lebanon ranked 45 out of 181 countries worldwide and ten out of 19 MENA countries in terms of ease of paying taxes. This constitutes a considerable drop from the 2008 survey, where Lebanon ranked 33 worldwide, and seven among MENA countries. The 2009 index showed that the corporate tax rate for a standard Lebanese business represents 12 percent of its commercial profits, while labor tax rate represents 24.1 percent of a business's profits.

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